



**CHALLENGER TECHNOLOGIES LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. 198400182K)

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## RESPONSE TO SGX QUERIES ON FY2019 ANNUAL REPORT

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The Board of Directors ("Board" or "Directors") of Challenger Technologies Limited (the "Company" and together with its subsidiaries, the "Group") have received queries from the Singapore Exchange Securities Trading Limited (the "SGX-ST") in its email of 2 June 2020 with regard to the Company's annual report for the financial year ended 31 December 2019 ("FY2019"), and wishes to respond to the queries as follows:

### Query 1

**With reference to the audited consolidated statement of cash flows on page 58 of the Company's Annual Report 2019 ("AR2019") , please provide an explanation for the material differences in the amounts of the following items, as compared to the unaudited financial results announcement of the Company for the financial year ended 31 December 2019 which was announced on 13/2/2020:- Net cash flows used in investing activities.**

#### Company's response to Query 1

Included in the cash flows from investing activities in the Company's announcement dated 13 February 2020 is an amount of \$173,000 which is the movement for the provision for restoration costs (non-cash item). We have reclassified this amount to provisions under cash flows from operating activities in the Company's AR2019 as this is more reflective of the nature.

### Query 2

**Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 2.4 of the Code as it had not disclosed its board diversity policy and progress made towards implementing the board diversity policy, including objectives, and there were no explanations on how that is consistent with the intent of Principle 2 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.**

#### Company's response to Query 2

The Company recognises the importance and benefits of having an effective and diverse Board with a mix of skills, experience, gender and age, which generates an appropriate level of diversity of thought and background and fosters constructive debate with a high level of independent thinking.

The current Board comprises five members, with the majority being independent directors, who are business leaders and professionals in their respective fields. These Directors are individuals with business and professional qualifications in the fields of IT, accounting and finance, and regulatory compliance and law, and have managed big multinational corporations and worked in international accounting and legal firms during their careers. Further, the Board not only has female representation but also Directors of different ages, ranging from 45 years old to 66 years old, to allow for a more diversified contribution to the Board.

Taking the above into account, the Board is of the view that the Directors, on the whole, have an appropriate balance and mix of skills, knowledge, experience, age, gender and diversity of thought to

foster constructive debate with a high level of independent thinking. Hence, the Board believes that its current composition has the appropriate level of balance and mix to enable it to make discussions in the best interests of the Company, consistent with the Intent of Principle 2 of the Code.

### **Query 3**

**Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the “Code”), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 8.1 of the Code with regards to the disclosure of remuneration, and there were no explanations on how that is consistent with the intent of Principle 8 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company’s remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.**

### **Company’s response to Query 3**

The Company has deviated from Provision 8.1 of the Code and has explained in page 40 of the AR2019 that:

“The Company has not disclosed exact details of the remuneration of each individual Director and key management personnel as it is not in the best interests of the Company and employees to disclose such details due to the sensitive nature of such information. The annual aggregate remuneration paid to the top five (5) key management personnel of the Company (who are not Directors or the CEO) for FY2019 is S\$1,331,000.”

As the Company operates in a highly competitive industry, the disclosure of the exact details of the remuneration of each individual director and key management personnel would adversely impact the Company’s operations and business due to the sensitive nature of such information.

While the exact remuneration of the Directors were not given, on pages 39 and 40 of AR2019, the Company had disclosed, the level and mix remuneration, in percentage terms by bands of \$50,000, of the Executive Directors and CEO into various categories of compensation, namely, fixed salary, Directors’ fees, allowance and others and variable or performance related income.

The Company has also disclosed the level and mix remuneration of the top five named key management personnel (who are not directors or CEO), in percentage terms in bands of \$250,000. The total remuneration paid to these top management personnel were also disclosed.

Taking in consideration of the abovesaid, the Company is of the view that such disclosure provides a balance between detailed disclosure and confidentiality.

Other than a fixed salary component, Executive Directors and the top five management personnel are given variable performance related bonus which will take into account the profitability of the Company, contributions from the individuals and the scope of responsibilities assigned to those individuals. The total remuneration given to these individuals aims to attract, retain and motivate them so as to achieve sustainability and business growth.

Accordingly, the Company believes that such disclosures and reviews will provide shareholders with an adequate appreciation of the remuneration packages of the Directors and the top five management personnel and is consistent with the intent of Principle 8 of the Code.

#### **Query 4**

**Listing Rule 1207(10C) requires the Audit Committee's comments on whether the internal audit function is independent, effective and adequately resourced. Please also provide information on the relevant experience and qualifications of the Company's internal auditor Yang Lee & Associates. As the internal audit function is outsourced, please provide information on the relevant experience of the accounting firm and the engagement team.**

#### **Company's response to Query 4**

In addition to the Audit Committee's opinion disclosed on pages 43 and 44 of the AR2019, the Audit Committee further confirms that the internal audit function is independent, effective and adequately resourced.

Yang Lee & Associates, the outsourced internal auditor, is a professional service firm that specialises in the provision of Internal Audit, Enterprise Risk Management and Sustainability Reporting Advisory services. The firm was set up in the year 2005 and currently maintains an outsourced internal audit portfolio of more than 25 SGX-ST listed companies in distribution, manufacturing, services, food & beverage, retail and property development industries.

The Engagement Team for this engagement comprises two Directors, a Manager, an Assistant Manager and supported by an Associate. Each of the two Directors has more than 20 years of relevant experience whilst the Manager has approximately 14 years of relevant experience.

#### **Query 5**

**Pursuant to Listing Rule 720(6), please provide the full information relating to the candidates as set out in Appendix 7.4.1 in the notice of meeting, annual report or relevant circular distributed to shareholders prior to the general meeting, for directors standing for re-election.**

#### **Company's response to Query 5**

The Company has disclosed the additional information on directors seeking re-election pursuant to Rule 720(6) of the Listing Manual as set out in Appendix 7.4.1 in the Notice of Annual General Meeting published and released on 27 May 2020.

BY ORDER OF THE BOARD  
**CHALLENGER TECHNOLOGIES LIMITED**

Chia Foon Yeow  
Company Secretary  
5 June 2020